

## NEWSLETTER

By : Law Office Yang & Co

### **SUPREME COURT ANNOUNCES STANDARD OF REVIEW FOR FACTUAL ISSUES UNDERLYING PATENT CLAIM CONSTRUCTION: IMPLICATIONS BEYOND PATENT LAW**

The United States Supreme Court, clarifying the proper standard of review of factual findings arising during a court's construction of patent claims, held that such "Evidentiary Underpinnings" should be reviewed for clear error rather than de novo. *Teva Pharmaceuticals USA, Inc. v. Sandoz*, 574 U.S. (Jan. 20, 2015). While the holding applies directly to patent litigation, the court's reasoning could have important implications for other areas of law, particularly contract interpretation.

Teva sued Sandoz for infringing a drug patent. In defense, Sandoz claimed the patent was indefinite and therefore invalid because it failed to state which of three possible meanings was intended when it referred to the "molecular weight" of the drug's active ingredient. In interpreting the patent claims as required under the Supreme Court's decision *Markman V. Westview Instruments*, 517 U.S. 370 (1996), the district court assessed expert evidence on the "molecular weight" issue, concluded that a skilled artisan would understand which meaning was intended, and selected that meaning as the court's interpretation. Because the district court was able to interpret "molecular weight" as used in the patent claims, the court held that the patent was valid.

On appeal, the Federal Circuit reversed. The Court of Appeals reviewed the district court's claim construction and the ultimate issue of the patent's validity de novo, as questions of law. The Court of Appeals also applied de novo review to the facts underlying the district court's claim construction, including the district's court's findings based on the expert evidence. The Supreme Court agreed that the ultimate issue of claim construction is a question of law subject to de novo review; but because the facts underlying claim construction are reviewable only for clear error, the Supreme Court reversed and remanded.

The Supreme Court based its analysis on Rule 52(a)(6) of the Federal Rules of Civil Procedure, which requires a court of appeals to accept a district court's findings of fact unless clearly erroneous. The Court held that the rule does not make exceptions or exclude certain categories of factual findings and therefore must also apply to review of subsidiary factual issues considered during the process of claim construction.

The Court stated that disputes underlying patent claim construction present subsidiary issues of fact, just as do disputes with respect to other written instruments "such as deeds, contracts, or tariffs." The Court distinguished between situations in which words of written instruments are used in their ordinary meaning, thereby making construction solely a question of law, and situations in which the use of technical words or phrases not commonly understood raises factual disputes necessary for determination prior to construction. In such cases, extrinsic evidence would be helpful and would lead to necessary fact-finding preliminary to interpretation of the document.

One example of such fact-finding involves determining a usage or practice or method in the relevant industry. In making that determination, the court might have to make credibility judgments and resolve factual disputes. The Court noted that such "evidentiary underpinnings" often occur when considering obviousness and other patent-law issues. The Court emphasized that a clear-error standard of review is particularly important for making factual determinations in relation to

construction of patent claims because construction often depends on a “familiarity with specific scientific problems and principles.” The Court noted that a district judge would have an opportunity to gain such familiarity through the course of a patent case, while an appellate court merely reviewing the record would not.

Sandoz argued that de novo review should apply to the factual determinations underlying construction of patent claims because separating factual from legal questions is difficult. Rejecting Sandoz’s argument, the Court said that appellate courts have long been able to separate factual from legal issues. The Court also disregarded the Federal Circuit’s worries that clear-error review would cause less uniformity in patent construction, noting that there was no showing by either the Federal Circuit or Sandoz that divergent claim constructions stemming from divergent findings of fact would occur frequently. The Court vacated the Federal Circuit’s decision invalidating the patent and remanded the case for further proceedings.

The Court’s decision is likely to be cited in areas beyond patent law—particularly in contract cases. In arguing for a particular contract interpretation, it will be necessary to assess whether the interpretation is purely a legal question or whether it will require subsidiary factual findings. The answer will determine the scope of appellate review. On appeal, a party seeking to uphold a district court’s interpretation of a contract may argue that the court relied on subsidiary findings of fact in making its determination. This argument can limit the extent to which the appellate court reviews the interpretation de novo and thus help support affirmation of the interpretation on appeal.

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